

Message Text

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EXDIS

FOL RPT TEHRAN 7884 ACTION SECSTATE 03 AUG QUOTE

O N F I D E N T I A L TEHRAN 7884

EXDIS

E.O. 11652: GDS

TAGS: PFOR, EG, US

SUBJ: SEVEN POINT PROGRAM

REF: CAIRO 10284

1. POATS SUGGESTS FOLLOWING COMMENTS ON REFTEL.

2. USG MEDIATION AND ADVICE IN ARRANGING FOR REFINANCING OF SUBSTANTIAL PORTION OF EGYPT'S SHORT-TERM DEBTS TO FOREIGN COMMERCIAL BANKS IS PART OF PRESENT SEVEN-POINT PROGRAM. AGREE WITH EMBASSY'S ASSESSMENT OF ITS URGENCY AND EGYPT'S NEED FOR REFINANCING TERMS AS LIBERAL AS PROPOSED IN PARA 5, REFTEL.

3. AS EMBASSY AND SEVERAL GOE MINISTERS HAVE RECOGNIZED, REFINANCING ON DESIRABLE TERMS WILL DEPEND ON STRONG
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CREDIT GUARANTEES WHICH USG HAS NO FACILITY AUTHORIZED

TO EXTEND. GOE MINISTERS WHO CONCURRED WITH SEVEN-POINT PROGRAM PRESUMABLY ACCEPTED RESPONSIBILITY FOR SEEKING GUARANTIES FROM IRAN AND SAUDI ARABIA, WITH ASSURANCE THAT USG WOULD REINFORCE THEIR REQUEST. FAILURE OF THESE MINISTERS, SADAT AND MUBARAK, TO PURSUE THIS VITAL MATTER DURING VISITS TO TEHRAN AND EVIDENTLY SAME LACK OF GOE ACTION IN RIYADH SUGGESTS NEED FOR SOME POINTED DISCUSSION BY AMBASSADOR EILTS WITH SADAT, AS IMPLIED BY PARA 8(C) REFTEL.

4. PUZZLED BY EMBASSY'S OMISSION OF REFERENCE TO RECENT SUGGESTION BY DEPARTMENT TO AMBASSADOR TO PRESS SADAT ON IRAN GUARANTY MATTER PRIOR TO SECRETARY'S VISIT TO TEHRAN. THIS IS NEXT STEP. UNTIL GUARANTY COMMITMENT IS OBTAINED GOE, FURTHER USG DISCUSSIONS WITH PROSPECTIVE LEADERS OF BANK CONSTORTIUM WOULD BE LACKING IN KEY FACTS OF INTEREST TO BANKERS. PRELIMINARY DISCUSSIONS ALREADY HELD WITH CHASE AND MORGAN GUARANTY. THEY AWAIT CALL BY GOE AND DISCUSSION OR ROLES, TERMS, ETC., WITH GUARANTOR AND GOE.

5. GODE MIGHT BE ACCEPTABLE GUARANTOR AFTER IT IS FULLY ESTABLISHED, BUT IT WOULD BE REQUIRED TO SET ASIDE PAID-IN CAPITAL FOR DURATION OF GUARANTY PERIOD, THEREBY FURTHER LIMITING GODE'S CURRENT AID POTENTIAL.
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